

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

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Every Door Direct Mail Retail Discount

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Docket No. R2020-2

COMMENTS OF THE  
AMERICAN CATALOG MAILERS ASSOCIATION (ACMA)  
(June 22, 2020)

Pursuant to Commission Order No. 5526, "Notice and Order on Price Adjustment for Market Dominant Products," June 2, 2020, ACMA is pleased to submit these comments.

In its Notice, June 1, 2020, the Postal Service proposes a 10 percent discount for Every Door Direct Mail (EDDM) Retail entered between August 1<sup>st</sup> and September 30<sup>th</sup> of FY 2020, which covers approximately two-thirds of Quarter 4 of FY 2020. Based on two-thirds of the EDDM Retail volume in Quarter 4 of FY 2018, the discount results in a revenue loss in FY 2020 of \$2,039,364 and generates corresponding unused rate adjustment authority for the Marketing Mail class, which is banked. At the Postal Service's option, the banked authority may be used for a future rate increase. The discount applies to *all* EDDM Retail mail entered during the period. No thresholds exist and no marginal volumes are at play.

ACMA supports the notion embedded in this particular Postal Service proposal that given the widespread economic dislocation due to the pandemic, it is fully appropriate in the present circumstances to provide a “postal industry stimulus.” In fact, we urge postal leadership to go much further. Significant portions of the mailing industry have been negatively impacted by the crisis. True too, other segments have seen revenue increases at this same time. Moreover, the speed of the onset of the pandemic with an almost overnight collapse of revenues for some firms but a continuation of expenses created an acute liquidity stress on these companies.

It cannot be overlooked that more than 90% of Postal Service revenues are generated by business mailer purchases of postage. If these companies do not exist, they obviously will not be originating mail. More, even companies which are not finding their future survival threatened are also finding that the current economic environment, with radically shifting consumer behavior, does not allow companies to profitably mail households or businesses they previously would have mailed. Companies deeply affected by the pandemic need assistance and with the federal government dolling out trillions to restart the economy, the US Postal Service might be in exactly that same position.

Overall mail volumes are down significantly. While package volume is up greatly, letter and flat mail are down mightily. For marginal names or prospecting through the mail, for a great many types of mailers and the products they use, the ROI is simply not there at current postage rates. Offering discounts or incentives to mailers right now, assuming “anyhow” mail can be avoided (and we believe it is wholly possible to accomplish this), incentives such as the instant one in this docket should be expanded

widely to many postal products and customers. And at a 10% discount level, given the near collapse of some companies in this crisis, is hardly enough. Targeted rescue incentives should be created, approved and rolled out expeditiously to allow long term and loyal postal customers a lifeline when they are so substantially affected. While this review must be done segment by segment, and company by company, there are plans that accomplish this discernment of incentive application. If a significant number of companies that pay the cost of operating our nation's postal system disappear, it is hard to understand how this system can be user funded going forward.

Consider the real cost of this right now. Since contracts and precedent require the Postal Service to continue operations regardless of volume and revenue, like the businesses that support it, USPS generally remains with "free capacity" that is being paid for whether used or not. Given these circumstances, the marginal cost of any incremental letter or flat volume is essentially nil. Incremental volume that would not otherwise be originated will help USPS revenues and cash flows, while improving the survivability of postal patrons needed to pay the freight of universal service once the present crisis abates. What's more, such incremental volume would also expand the universe of mailable names, thereby generating merchandise sales. This activity, in turn, will spur other follow-up mail and package volume and revenue to that same address. All in all, it simply makes good business sense for the Postal Service given the current extraordinary circumstances.

Respectfully submitted,

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